



October 12, 2009

Ms. Karen Baker, Secretary of Service and Volunteering
California Volunteers
1110 K Street
Sacramento, CA 95814

Dear Ms. Baker:

Final Report—AmeriCorps Grants Fiscal Compliance Audits

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its fiscal compliance audits of the AmeriCorps grants issued by California Volunteers to The Child Abuse Prevention Council of Sacramento, Inc. (CAPC), and Prevent Child Abuse California, Inc. (PCAC) for the period June 15, 2007 to December 31, 2008.

The enclosed report is for your information and use. The CAPC/PCAC's response to the report observations and our evaluation of the response are incorporated into this final report. In the interests of brevity, Exhibits referenced in CAPC/PCAC's response have been omitted.

In accordance with Finance's policy of increased transparency, this report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov/> within five working days of this transmittal.

We appreciate the assistance and cooperation of the California Volunteers and The Child Abuse Prevention Center staff. If you have any questions regarding this report, please contact Cheryl Lyon, Manager, at (916) 322-2985.

Sincerely,

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. Ray McNally, Chairman of the Board, The Child Abuse Prevention Center, Inc.
Ms. Sheila Anderson, President and Chief Executive Officer, The Child Abuse Prevention Council of Sacramento, Inc., and Prevent Child Abuse California, Inc.
Ms. Lori Divine, Chief Financial Officer, The Child Abuse Prevention Council of Sacramento, Inc., and Prevent Child Abuse California, Inc.
Ms. Sarah Magnum, Director, Finance and Administration, California Volunteers
Ms. Circe Olander, Director, AmeriCorps Programs, California Volunteers

A FISCAL COMPLIANCE AUDIT

The Child Abuse Prevention Council and Prevent Child Abuse California AmeriCorps Grants Grants 06AFHY14-F101 and 06ACHY14-C102 June 2007 to December 2008



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Final reports are available on our website at <http://www.dof.ca.gov>

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BACKGROUND, SCOPE, AND METHODOLOGY

BACKGROUND

The National and Community Service Trust Act of 1993 created the Corporation for National and Community Service (Corporation) as well as the AmeriCorps program. The Act required the governor of each state to create and appoint a commission to administer the AmeriCorps program. In 1994, Governor Pete Wilson established California's service commission, currently referred to as California Volunteers (CV).

The CV administers the California AmeriCorps portfolio, Citizen Corps, and the Cesar Chavez Day of Service and Learning; maintains the California Volunteer Matching Network; and guides policy development to support the nonprofit and service fields. Funding received from the Corporation is distributed through grants to entities within California.

During the 2007-08 program year, CV supported more than 5,500 AmeriCorps members via \$32 million in grants to 54 programs statewide.

The Child Abuse Prevention Center (Center) received funding for four programs during 2007-08. The Center is comprised of four non-profit entities: The Child Abuse Prevention Council of Sacramento (CAPC), Prevent Child Abuse California (PCAC), Lift the Children, and The Child Abuse Research and Evaluation Institute.

The CAPC was awarded three grants totaling approximately \$1.77 million for the following programs: Youth Investment Center, Birth & Beyond, and Great Beginnings. The CAPC's mission is to protect children throughout Sacramento County from the risk or impact of abuse, neglect, or abandonment.

The PCAC received one grant totaling approximately \$1.20 million during 2007-08 for its Child Welfare System Redesign program. The PCAC's mission is to prevent the abuse and neglect of California's children by building community resources, enhancing public awareness, developing and coordinating prevention programs, and facilitating advocacy activities.

SCOPE

In accordance with an interagency agreement with CV, the Department of Finance, Office of State Audits and Evaluations conducted a fiscal compliance audit of the following grants issued to the Center:

<u>Grant Agreement</u>	<u>Grant Name</u>	<u>Contracted Agency</u>	<u>Audit Period</u>	<u>Awarded¹</u>
06AFHY14-F101	Youth Investment Center	CAPC	6/15/07 to 12/31/08	\$ 848,332
06ACHY14-C102	Child Welfare System Redesign	PCAC	6/15/07 to 12/31/08	\$ 1,197,842

¹ Awarded amount includes two budget revisions per grant submitted to and approved by CV.

The audit's objectives were to determine whether grant revenues and expenditures were in compliance with applicable laws, regulations, and federal and state grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls.

Additionally, we followed up on certain prior audit findings pertaining to CAPC and PCAC as noted in the Center's single audit report as of December 31, 2006 and 2007, to ensure corrective actions have been implemented and are functioning as intended.

The audit did not include an assessment of the efficiency or effectiveness of the Center's programs or services. Our audit also did not include an evaluation of the grants' programmatic compliance with applicable laws, regulations, and federal and state grant requirements.

Further, at the time of our fieldwork, the Center had not yet closed its 2008 accounting records and the financial information was not finalized. As such, changes could have been made to the financial information we used to conduct our audit.

Because the Center centralizes its fiscal operations, observations related to operational processes will therefore impact the other two program grants received (Birth & Beyond and Great Beginnings), but not tested during this audit. Those observations are noted as such in the Results section.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations, and federal and state grant requirements, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the grant-related internal controls.
- Examined grant files maintained by CAPC and PCAC, the grant agreements, and applicable policies and procedures.
- Reviewed the Center's accounting records, vendor invoices, pay warrants, consultant agreements, reimbursement requests, and bank statements.
- Reviewed payroll documentation.
- Selected a sample of expenditures to determine if costs were allowable, grant related, incurred within the grant period, supported by accounting records, and properly recorded.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds (i.e. double billing).
- Performed procedures to determine if federal revenue sources were used to fund match expenditures.

The results of the audit are based upon our review of documentation and other information made available to us, and interviews with staff directly responsible for administering AmeriCorps grant funds. The audit was conducted January 2009 through June 2009.

The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

Except as noted below, the CAPC expenditures were in compliance with applicable laws, regulations, and the federal and state grant requirements. The Schedule of Budgeted, Claimed, and Questioned Amounts are presented in Appendix A. Questioned costs were derived from the tests performed and were not extrapolated to the entire population. Had such occurred, the questioned amounts may vary significantly from that presented in Appendix A. Final determination as to the disposition of the questioned amounts will be made by CV.

We were unable to conduct a fiscal compliance audit of the PCAC grant and cannot comment as to whether the AmeriCorps funds were expended in compliance with applicable laws, regulations, and federal and state requirements. See Observation 1 in the PCAC Grant 06ACHY14-C102 section for further details. For a Schedule of Budgeted, Claimed, and Questioned Amounts see Appendix B.

Several prior audit findings pertaining to CAPC and PCAC as noted in the Center's single audit report as of December 31, 2006 and 2007 remained outstanding. Those findings are identified as such in the corresponding observations noted below.

CAPC Grant 06AFHY14-F101

Observation 1: Inaccurate Accounting of Member Living Allowances

Youth Investment Center (YIC) member living allowances incurred for the 2007-08 program year were not properly recorded in CAPC's general ledger or reported in the 2007-08 YIC Periodic Expense Report (PER). Specifically, YIC member living allowances were incorrectly recorded in non-YIC general ledger accounts and were not reported in the PER. We tested six members representing \$85,325, or 22 percent, of the budgeted member living allowances and identified \$22,687, or 27 percent, that were incorrectly recorded in non-YIC general ledger accounts. As a result, these member living allowances are at risk of being improperly claimed for reimbursement or as match for another AmeriCorps program and/or program year.

This is a prior audit finding and impacts the financial recording and reporting of other grants not included in this audit.

Recommendation:

1. Implement controls to ensure the correct posting of information to the proper general ledger program accounts.

Observation 2: Ineligible Reimbursement of Member Living Allowances

CAPC claimed and was reimbursed \$2,050 of ineligible member living allowances. Six members were selected for testing. We found 3 of the 6 (50 percent) were claimed for reimbursement in excess of the allowable amount. The Code of Federal Regulations (CFR) limits the amount of living allowance that may be funded by AmeriCorps funds (i.e. claimed for reimbursement). During the 2007-08 program year, full time members were limited to \$9,435 (\$11,100 x 85 percent) and part time limited to \$4,995; however, CAPC claimed \$415, \$997, and \$638 over the allowable amounts for 1 full time and 2 part time members, respectively.

Additionally, CAPC paid two of six members (33 percent) tested in excess of the contracted 2007-08 member living allowance. Specifically, the 2 members' applications provided each was to receive a maximum of \$8,325 and \$16,150; however, the members were paid \$421 and \$1,468 over the contracted amount. The \$421 overage was incorrectly claimed as match in the 2007-08 PER; the remaining amount, \$1,468, was unable to be determined if it was improperly claimed due to Observation 1 above. By not ensuring that members are only paid the allowable member allowance, CAPC is at risk of improperly using AmeriCorps funding and incorrectly reporting its match contribution.

This observation impacts the financial recording and reporting of other grants not included in this audit.

Recommendations:

2. Establish a process whereby the minimum living allowance is monitored to ensure AmeriCorps funds claimed do not exceed the allowable percentages established in the CFR.
3. Verify AmeriCorps members are only paid their contracted living allowance. The CAPC should ensure its policies and procedures include a periodic reconciliation of amounts paid with contracted amounts as indicated in the member's file records.

Observation 3: Non-YIC Member Living Allowances Inappropriately Claimed as Match

Non-YIC member living allowances were claimed as YIC match. Specifically, we identified \$16,554, or 8 percent, of member living allowances inappropriately claimed as YIC match. As a result, CAPC over-reported actual match incurred for the YIC program. Not appropriately accounting for program expenditures, whether reimbursable or match, increases the risk of improper claims, improper reimbursements, and duplicate reporting of expenditures among AmeriCorps grants.

This is a prior audit finding and impacts the financial recording and reporting of other grants not included in this audit.

Recommendation:

4. Implement controls to ensure the correct posting of information to the proper general ledger program accounts.

Observation 4: Unallowable Indirect Match Expenditures

CAPC claimed \$20,677 in unallowable indirect match expenses in its 2007-08 PERs. CAPC chose to apply a Corporation Fixed Percentage method to calculate its allowable indirect match expenses. Upon recalculation, we determined CAPC was eligible to claim \$59,001; however, CAPC claimed \$79,678 resulting in a \$20,677 overclaim. Because the allowable amount is determined based on direct expenditures claimed, the questionable costs identified in this report will affect the eligible amount.

This is a prior audit finding and impacts the financial recording and reporting of other grants not included in this audit.

Recommendation:

5. Ensure amounts claimed as indirect match expenditures are calculated in accordance with the terms of the AmeriCorps grant agreement.

Observation 5: Unallowable Direct Match Expenditures

CAPC claimed \$33,636 of YIC 2007-08 direct match expenditures in which the funding source could not be determined. The CFR prohibits using federal funds as match expenditures. The CAPC receives various sources of funding including federal and state grants, and commingles the funds received. Although expenditures for each program are tracked separately in the general ledger, funding sources are not directly applied to those expenditures. As a result, we were unable to determine the funding source for a portion of the direct match expenditures claimed.

This observation impacts the financial recording and reporting of other grants not included in this audit.

Recommendation:

6. Ensure the funding source for all direct match expenditures is readily identifiable.

Observation 6: Improper Accounting of Employee Salaries

CAPC employee salaries totaling \$2,520 incurred during the 2007-08 program year were not properly recorded in the general ledger. Specifically, two of three employees tested had timesheets that reported time worked on the 2007-08 YIC program but were recorded in the general ledger in another grant program and/or program year. One employee had time for both pay periods in September 2007 incorrectly posted to the 2006-07 YIC program. The other employee had time for the first period in September 2007 incorrectly posted to the 2006-07 YIC program and time for April 2008 incorrectly posted to the 2007-08 Birth & Beyond program. As a result, these salaries are at risk of being improperly claimed for reimbursement or as match for another AmeriCorps program and/or program year.

This observation impacts the financial recording and reporting of other grants not included in this audit.

Recommendation:

7. Implement controls to ensure the correct posting of information to the proper general ledger program accounts.

PCAC Grant 06ACHY14-C102**Observation 1: Inability to Perform Fiscal Compliance Audit**

PCAC does not maintain adequate supporting documentation of its sub-grantees; therefore, we were unable to conduct a fiscal compliance audit of Grant 06ACHY14-C102. Specifically, PCAC partners with California counties to further its mission by issuing sub-grants of the AmeriCorps funding it receives. The partners (sub-grantees) receive reimbursement for expenditures incurred through monthly reimbursement requests. The PCAC's policies and procedures during the 2007-08 program year did not require the sub-grantee to submit source documentation with its reimbursement requests. Without the availability of source documentation, we cannot comment as to whether the AmeriCorps funds were expended in compliance with applicable laws, regulations, and federal and state requirements.

Further, without requesting and reviewing supporting documentation, PCAC cannot be assured that all expenditures reimbursed are valid and eligible for funding. In essence, PCAC is prevented from adequately monitoring its AmeriCorps funds. The CFR requires the monitoring of sub-grant supported activities to assure compliance with applicable federal requirements and that performance goals are being achieved. Such monitoring must cover each program, function or activity. We noted that PCAC has updated its policies and procedures for the 2008-09 program year to require sub-grantees to submit all member documentation, including timesheets.

This is a prior audit finding.

Recommendations:

1. Implement policies and procedures to collect and retain source documents from sub-grantees, and evaluate whether expenditures claimed for reimbursement are valid and eligible.
2. Conduct periodic site visits of sub-grantees to ensure compliance with federal and state requirements.

Schedule of Budgeted, Claimed, and Questioned Amounts
CAPC Grant 06AFHY14-F101

Category	Final Budget Amounts			Total Claimed Amounts			Questioned ²	Observation
	AmeriCorps	Match	Total	AmeriCorps	Match	Total		
Section I— Program Operating Costs								
A. Personnel Expenses	\$ 37,672	\$200,000	\$237,672	\$ 37,672	\$ 54,968	\$ 92,640	\$ 2,520	6
B. Personnel Fringe Benefits	10,068	50,001	60,069	10,068	14,235	24,303		
C. Travel								
Staff Travel	1,989	0	1,989	1,989	212	2,201		
Member Travel	0	0	0	0	1,050	1,050		
D. Equipment	0	0	0	0	0	0		
E. Supplies	2,990	0	2,990	2,990	631	3,621		
F. Contractual And Consultant Services	0	0	0	0	0	0		
G. Training								
Staff Training	15	0	15	15	22	37		
Member Training	67	0	67	67	80	147		
H. Evaluation	0	0	0	0	3,179	3,179		
I. Other Program Operating Costs	7,716	0	7,716	7,716	6,107	13,823		
Travel to CNCS Sponsored Meetings	0	0	0	0	0	0		
Subtotal Section I	60,517	250,001	310,518	60,517	80,484	141,001		
AmeriCorps/Match Share	19.49%	80.51%	100.00%	42.92%	57.08%	100.00%		
Section II— Member Costs								
A. Living Allowance	183,120	177,500	360,620	183,120	198,609	381,729	3,662	1, 2 ³ , 3 ⁴
B. Member Support Costs								
FICA for Members	13,221	21,229	34,450	13,221	16,944	30,165		
Workers Compensation	5,952	8,325	14,277	5,952	9,037	14,989		
Health Care	7,310	33,703	41,013	7,310	14,812	22,122		
Subtotal Section II	209,603	240,757	450,360	209,603	239,402	449,005		
AmeriCorps/Match Share	46.54%	53.46%	100.00%	46.68%	53.32%	100.00%		
Section III— Administrative Costs								
A. Corporation Fixed Percentage								
Corporation Fixed Amount	11,367	76,087	87,454	11,367	79,678	91,045	(20,677)	4
Commission Fixed Amount	0	0	0	0	0	0		

² Questioned costs are not presented specific to claimed funding source (i.e. AmeriCorps or Match.)

³ Questioned amount is the net of Observations 1, 2, and 3: \$6,662 = 22,687-2,050-421-16,554.

⁴ \$1,468 identified in Observation 2 is not included in the calculation because we were unable to determine if it was claimed.

Category	Final Budget Amounts			Total Claimed Amounts			Questioned ⁵	Observation
	AmeriCorps	Match	Total	AmeriCorps	Match	Total		
Subtotal Section III	11,367	76,087	87,454	11,367	79,678	91,045		
AmeriCorps/Match Share	13.00%	87.00%	100.00%	12.49%	87.51%	100.00%		
Subtotal of Section I and III	71,884	326,088	397,972	71,884	160,162	232,046		
AmeriCorps/Match Share	18.06%	81.94%	100.00%	30.98%	69.02%	100.00%		
Total	\$281,487	\$566,845	\$848,332	\$281,487	\$399,564	\$ 681,051	\$(33,636)	5
AmeriCorps/Match Share	33.18%	66.82%	100.00%	41.33%	58.67%	100.00%		

Total Questioned \$(48,131)

⁵ Questioned costs are not presented specific to claimed funding source (i.e. AmeriCorps or Match.)

Schedule of Budgeted, Claimed, and Questioned Amounts
PCAC Grant 06ACHY14-C102

Category	Final Budget Amounts			Total Claimed Amounts			Questioned ⁶
	AmeriCorps	Match	Total	AmeriCorps	Match	Total	
Section I - Program Operating Costs							
A. Personnel Expenses	\$154,260	\$224,000	\$ 378,260	\$154,253	\$ 97,871	\$252,124	
B. Personnel Fringe Benefits	31,771	44,800	76,571	31,677	26,522	58,198	
C. Travel							
Staff Travel	7,979	6,000	13,979	7,231	4,728	11,959	
Member Travel	2,065	19,250	21,315	2,062	12,570	14,632	
D. Equipment	0	0	0	0	0	0	
E. Supplies	1,780	2,300	4,080	1,766	3,727	5,492	
F. Contractual And Consultant Services	0	0	0	0	0	0	
G. Training							
Staff Training	100	1,200	1,300	97	1,975	2,072	
Member Training	2,600	2,000	4,600	2,523	3,441	5,964	
H. Evaluation	4,500	0	4,500	4,500	0	4,500	
I. Other Program Operating Costs	14,696	24,993	39,689	14,600	67,121	81,722	
Travel to CNCS Sponsored Mtngs	0	0	0	0	0	0	
Subtotal Section I	219,751	324,543	544,294	218,709	217,954	436,663	
AmeriCorps/Match Share	40.37%	59.63%	100.00%	50.09%	49.91%	100.00%	
Section II— Member Costs							
A. Living Allowance	222,000	222,000	444,000	162,182	186,736	348,918	
B. Member Support Costs							
FICA for Members	16,983	16,983	33,966	0	18,420	18,420	
Workers Compensation	4,440	4,440	8,880	0	6,719	6,719	
Health Care	19,668	19,668	39,336	0	7,531	7,531	
Subtotal Section II	263,091	263,091	526,182	162,182	219,407	381,588	
AmeriCorps/Match Share	50.00%	50.00%	100.00%	42.50%	57.50%	100.00%	
Section III— Administrative Costs							
A. Corporation Fixed Percentage							
Corporation Fixed Amount	20,318	107,048	127,366	16,028	67,188	83,216	

⁶ We were unable to conduct a fiscal compliance audit of this grant, see Observation 1 for details.

Category	Final Budget Amounts			Total Claimed Amounts			Questioned ⁷
	AmeriCorps	Match	Total	AmeriCorps	Match	Total	
Commission Fixed Amount	0	0	0	0	0	0	
B. Federally Approved Indirect Cost Rate	0	0	0	0	0	0	
Subtotal Section III	20,318	107,048	127,366	16,028	67,188	83,216	
AmeriCorps/Match Share	15.95%	80.82%	96.78%	19.26%	80.74%	100.00%	
Subtotal of Section I and III	240,069	431,591	671,660	234,737	285,142	519,879	
AmeriCorps/Match Share	35.74%	63.78%	99.52%	45.15%	54.85%	100.00%	
Total	503,160	\$694,682	\$1,197,842	\$396,919	\$504,548	\$901,467	
AmeriCorps/Match Share	42.01%	57.75%	99.76%	44.03%	55.97%	100.00%	

⁷ We were unable to conduct a fiscal compliance audit of this grant, see Observation 1 for details.

Ray McNally
Chairman
McNally, Temple, Anderson, Inc.

Charles R. Mahla, Ph.D.
Chair, Finance Committee
Ernst & Young, Inc.

Ken Blomsterberg
Chair, Accounting Committee
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James Morante
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Lisa Skylar
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Officers Association

Cathy Winterstern

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Wells Fargo Bank

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Child Abuse Prevention Center



September 14, 2009

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Re: Response to Draft Report – AmeriCorps Grants Fiscal Compliance Audit

The Child Abuse Prevention Council of Sacramento, Inc. (CAPC), and Prevent Child Abuse California (PCAC) are in receipt of the Department of Finance (DOF) draft report dated September 1, 2009 (Draft Report). Per the instructions in the DOF enclosure letter dated September 1, 2009, this letter constitutes CAPC's and PCAC's response to the observations in the DOF Draft Report.

Preliminarily, CAPC and PCAC note that the observations contained in the Draft Report, either had already been addressed prior to the time of the DOF audit, or have subsequently been addressed as a result of the DOF audit. CAPC and PCAC have appropriate controls in place as evidenced by our attached Payroll Process and Accounting Policy and Procedure Manual, Revision 4, (Payroll P&P) marked as Exhibit A. In addition, CAPC and PCAC have implemented new accounting software, Financial Edge, which greatly enhances reporting and monitoring capabilities.

Significant changes have been made in PCAC's sub grantee fiscal processes and site monitoring protocol, which address the DOF observation contained in the Draft Report. These changes had already been implemented prior to the DOF audit, or were in process at the time of the DOF audit.

CAPC's and PCAC's response to the observations in the DOF Draft Report are detailed below.



Child Abuse Prevention Council
of Sacramento, Inc.



Prevent Child Abuse
California



community school
SOLUTIONS
of California



LIFT THE
CHILDREN

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CAPC Grant 06AFHY14-F101

Observation 1: Inaccurate Accounting of Member Living Allowances

Recommendation:

1. *Implement controls to ensure the correct posting of information to the proper general program accounts.*

Response to Observation 1:

As stated in the DOF Draft Report, this is a prior audit finding. CAPC and PCAC have implemented policies, procedures, and practices to ensure correct posting of member living allowance. Please refer to Section 7.2.4 of the attached Payroll P&P. Regularly scheduled meetings and improved communication between CAPC's and PCAC's AmeriCorps program and fiscal staff has increased, further strengthening these practices and ensuring that the information needed to correctly distribute AmeriCorps member costs is documented and disseminated to the appropriate staff.

Observation 2: Ineligible Reimbursement of Member Living Allowances

Recommendation:

1. *Establish a process whereby the minimum living allowance is monitored to ensure AmeriCorps funds claimed do not exceed the allowable percentages established in the CFR.*
2. *Verify AmeriCorps members are only paid their contracted living allowance. CAPC should ensure its policies and procedures include a periodic reconciliation of amounts paid with contracted amounts as indicated in the member's file records.*

Response to Observation 2:

Recommendation 2 – CAPC and PCAC have implemented policies and procedures to ensure that the amount of any AmeriCorps member living allowance does not exceed the allowable percentages established in the CFR. See Section 7.2.5 of the Payroll P&P – Exhibit A.

Recommendation 3 – CAPC accounting staff reviewed the payroll records for the members reported in this observation. CAPC accounting staff determined that the members were not paid in excess of their contracted amount. Accounting staff did find that one stipend payment was reported in the incorrect program year; one stipend was correctly charged to the 08/09 YIC program year; and one stipend check was voided in the external payroll records but not recorded in CAPC's internal accounting system. CAPC and PCAC have made two changes to address these issues. First, our Payroll P&P (Exhibit A) addresses this in Sections 7.2.7 and 7.5.3. Secondly, as of January 1, 2009, CAPC and PCAC process both staff and AmeriCorps payroll in-house, thereby ensuring that any payroll actions, including voided checks, are processed through the CAPC/PCAC accounting system. Accounting for AmeriCorps member living allowance to the correct program year and PER was addressed in CAPC's and PCAC's response to your Observation 1. The amount claimed for the voided check that was not recorded

in our accounting system and therefore was incorrectly invoiced to California Volunteers ("CV") will be refunded to CV.

Observation 3: Non-YIC Member Living Allowance Inappropriately Claimed as Match

Recommendation:

3. *Implement controls to ensure the correct posting of information to the proper general ledger program accounts.*

Response to Observation 3:

As stated in the DOF Draft Report, this is a prior audit finding. As with Observation 1, CAPC and PCAC have implemented policies, procedures, and practices to address this issue. In some instances, stipends reported in this observation were for YIC 08/09 program year members. The AmeriCorps 06/07, 07/08, and 08/09 grant program years overlapped at either the beginning or end of the 07/08 program year that DOF audited. Further, the match funding source has yet a different grant cycle (July 1 thru June 30). Match was reported to the AmeriCorps program years based on a cut-off date established by CAPC accounting staff to ensure that match was not claimed more than once. As a result of this observation, CAPC and PCAC have changed the accounting project system to track match by member, versus date, thereby ensuring that match is posted and reported on the PER in the correct program year.

Observation 4: Unallowable Indirect Match Expenditures

Recommendation:

4. *Ensure amounts claimed as indirect match expenditures are calculated in accordance with the terms of the AmeriCorps grant agreement.*

Response to Observation 4:

CAPC/PCAC's Chief Financial Officer consulted with Sarah Mangum, CV's Director of Finance and Administration, on this observation. The understanding of CAPC/PCAC's accounting staff was that claimed administrative match could include the administrative costs that exceeded 4%, plus the administrative costs associated with the match grant. As a result of that consultation, CAPC and PCAC has revised their Client Billing Policy and Procedure to ensure that the total claimed administrative costs for the claimed match does not exceed 10%.

Observation 5: Unallowable Direct Match Expenditures

Recommendation:

5. *Ensure the funding source for all direct match expenditures is readily identifiable.*

Response to Observation 5:

It is important to communicate that all of the federal grants awarded to CAPC and PCAC are cost reimbursement contracts; therefore no federal funds were, or could have

been, utilized to pay the direct match expenditures reported. However, as a result of this observation, CAPC and PCAC have implemented a new process whereby direct cash match expenditures are isolated in a separate general ledger account or project, so that funding for **claimed** direct match costs will be readily identifiable.

Observation 6: Improper Accounting of Employee Salaries

Recommendation:

6. *Implement controls to ensure the correct posting of information to the proper general ledger program accounts.*

Response to Observation 6:

CAPC and PCAC have implemented two new major systematic changes to prevent this type of clerical input error. As stated in the response to Observation 2, payroll processing was brought in-house beginning January 1, 2009. CAPC and PCAC also implemented an electronic timesheet program. CAPC/PCAC senior accounting staff review reports from the electronic timekeeping system against the payroll distribution from the in-house payroll system, prior to posting of the payroll, to ensure that the distribution reconciles to the time as reported by the employee and approved by their supervisor. See Section 7.5.7 of the Payroll P&P, Exhibit A.

PCAC Grant 06ACHY14-C102

Observation 1: Inability to Perform Fiscal Compliance Audit

Recommendation:

1. *Implement policies and procedure to collect and retain source documents from sub grantees, and evaluate whether expenditures claimed for reimbursement are valid and eligible.*
2. *Conduct periodic site visits of sub grantees to ensure compliance with federal and state requirements.*

Response to Observation 1:

Recommendation 1: It was PCAC's accounting staff's understanding that DOF staff decided not to audit this grant because significant effort would be required to review the extensive amount of source documentation and that effort would exceed the amount of time DOF had budgeted for their audit. Documents, including member files, were and are available onsite, and would have been provided to DOF staff upon request. PCAC provided reimbursable payroll service for four of the six sub grantees, and supporting documentation for a significant portion of the direct claimed sub grantee costs was available onsite. Additionally, PCAC would have requested source documentation from the remaining two sub grantees' claimed costs (for which PCAC did not provide the reimbursable payroll service), or claims for non member living allowance costs.

As an intermediary organization for AmeriCorps programs, PCAC has a standard practice of sampling by requesting support documentation for selected line item charges

and match declarations. PCAC believes this practice meets the intent of the Code of Federal Regulations. Requiring **all** supporting documentation for the sub grantee **match** costs would place a significant workload on the sub grantee and PCAC's internal accounting staff, which would make it impossible to meet CV's billing and reporting due dates. As DOF auditors observed, the supporting documentation for the Desk Audit performed by CV for the prior program year filled an entire box for just two invoices.

It is essential to note that there are additional significant fiscal compliance changes that will be fully implemented with the launch of the 09/10 AmeriCorps program year that relate to the issues identified in this audit. PCAC will act as fiscal agent for program partners, processing and paying all program costs (direct and match), ensuring that adequate supporting source documentation is readily available for audit and monitoring purposes. Bringing these responsibilities in-house provides PCAC access to all supporting fiscal documentation. This change, and PCAC's utilization of its internal controls, will strengthen PCAC's ability to demonstrate federal and state fiscal compliance.

Recommendation 2: As noted in the DOF Draft Report, starting with the 08/09 AmeriCorps program year, all member files are kept on site at PCAC and are verified by PCAC's program compliance staff to ensure compliance and eligibility. Also, as previously mentioned, in the 09/10 AmeriCorps program year all program costs will be processed and paid by PCAC allowing complete in-house access to records to ensure source documentation is available for audit and monitoring purposes. Periodic compliance site visits by PCAC to partner organizations will continue in 09/10 and will focus on program compliance with program related federal and state requirements.

Thank you for the opportunity to respond to the DOF Draft Report.

Sincerely,



Lori Divine
Chief Financial Officer
Child Abuse Prevention Center

Cc: Sarah Magnum, Director, Finance and Administration, CaliforniaVolunteers
Circe Olander, Director, AmeriCorps Programs, CaliforniaVolunteers
Ray McNally, Chairman of the Board, Child Abuse Prevention Center
Sheila Anderson, President and CEO, Child Abuse Prevention Center
Stephanie Biegler, Director, Child Abuse Prevention Council of Sacramento, Inc.
Joey Lidgett, Acting Director, Prevent Child Abuse California

EVALUATION OF RESPONSE

We have reviewed CAPC/PCAC's response, dated September 14, 2009 to our draft audit report. Exhibits referenced in the response have been omitted in the interest of brevity. The CAPC/PCAC was generally in agreement with our observations.

We commend CAPC/PCAC on its prompt action to improve the administrative oversight and operations of the AmeriCorps grant programs and acknowledge the implementation of corrective actions to resolve the observations noted in our report. In evaluating the CAPC/PCAC's response, we provide the following comments:

With respect to Grant 06AFHY14-F101, Observation 4, by choosing to apply a Corporation Fixed Percentage method to calculate its indirect expenditures, the CAPC may claim 10 percent of all federally-funded direct costs (AmeriCorps) plus the total of all grantee-funded direct costs (Match) as indirect match expenditures. Based on the amounts presented in Appendix A, the calculation would be as follows:

	Total Claimed Amounts		
	AmeriCorps	Match	Total
Section I—Program Operating Costs	\$60,517	\$80,484	\$141,001
Section II—Member Costs	209,603	239,402	449,005
Total Direct Costs	270,120	319,886	590,006
Fixed Percentage Rate			10%
Section III—Administrative Costs—Corporation Fixed Amount—Match		59,001	

With respect to Grant 06ACHY14-C102, Observation 1, we remind PCAC that, as the primary recipient of grant funds, it is their responsibility to adequately monitor funds distributed to sub-grantees. This includes requesting and reviewing source documentation and conducting periodic site visits to ensure sub-grantee expenditures are valid, eligible for funding, and in compliance with federal and state requirements. At the time of our audit, the PCAC did not have sufficient supporting documentation readily available for us to audit the direct or match expenditures claimed and reimbursed with grant funds. However, we are in agreement with PCAC's plan to request and review, on a sample basis, supporting documentation and conduct periodic site visits of the sub-grantees. We encourage PCAC to ensure the corrective actions implemented allow them to effectively and adequately monitor the grant funds.